

THE EXPORTER'S GUIDE TO THE

1992 U.S.-RUSSIA Joint Memorandum of Understanding on Market Access for Civil Aircraft

What is this Agreement and what does it do?

In this Memorandum of Understanding (MOU), the Russian Federation agreed to take trade liberalizing steps, such as tariff reductions and tariff waivers, to enable its airlines to import American and other non-Russian civil aircraft on a nondiscriminatory basis.

This Agreement was signed by Vice President Gore and Russian Prime Minister Chernomyrdin on January 30, 1996. It has no expiration date.

Who benefits from this Agreement?

American companies that export or lease aircraft can benefit from this Agreement. The Agreement also applies to American exporters of aircraft components and could benefit them, although it has not done so to date.

How can this Agreement help my company?

Since this Agreement was signed, more than 25 non-Russian aircraft (approximately 20 from the United States) have been imported into Russia duty-free, under tariff waivers. Russian tariffs on foreign aircraft have been reduced from 50 to 20 percent. Russia has also agreed to extend the terms of all existing lease arrangements for American and other foreign civil aircraft from five to seven years and to implement customs duties waivers for these aircraft.

While the Agreement does not specifically provide for tariff waivers on imports of aircraft parts, it states that Russia will facilitate the participation of American and other non-Russian aircraft components manufacturers in Russia's aerospace market. Although Russian aircraft makers have applied to the Russian Government for tariff waivers on imports of aircraft parts, none has been granted so far.

American aircraft companies interested in exporting to Russia should inform potential importers that the importer must apply directly to the Russian Government for tariff waivers. The Russian airline's application is processed through a Russian interagency review by the Ministries of Economic Development and Trade, Finance, and Transportation, and the State Customs Committee. Final approval is provided by the Prime Minister and

President. The Russian Government provides tariff waivers on a case-by-case basis. It is important to note that aircraft leases are not treated as temporary imports (imports exempt from duties), but are subjected to the same duties as aircraft purchases.

Since Russia's implementation of this Agreement has been slow, U.S. aircraft exporters are encouraged to notify the U.S. Department of Commerce's Office of Aerospace of any potential sale or lease of an aircraft to Russia. U.S. Government officials can then inform the Russian Government that we are aware of a pending aircraft export and that the Russian Government should act quickly to issue the appropriate tariff waiver. On several recent occasions, senior U.S. Government officials have intervened successfully on behalf of American exporters and Russian airlines to encourage the Russian Government to adhere to its commitments in the Agreement and to provide tariff waivers in a timely manner.

In August 2001, Russian Prime Minister Kasyanov took open-market steps by repealing Resolution #716, "Additional Measures for State Support of Russian Civil Aviation", which was approved by the Russian Ministry of Economy in July 1998. This Resolution had established certain conditions for obtaining tariff waivers (or tariff reductions) on the importation of aircraft, engines and flight simulators.

Can the U.S. Government help me if I have a problem?

Yes. If your company is experiencing difficulties exporting under this Agreement, contact the Trade Compliance Center at the U.S. Department of Commerce. The Center can provide you with the information and assistance you need to understand your rights under the Agreement and can activate the U.S. Government to make official inquiries of the Russian authorities to help resolve your exporting problems.

The Agreement provides that both governments will hold annual meetings to discuss and resolve problems that may arise concerning market access and further liberalization of the Russian civil aircraft market. Led on the U.S. side by the Office of the U.S. Trade Representative, these consultations have enabled American aerospace companies to benefit from the market-opening initiatives provided under the Agreement.

How can I get more information?

The complete text of the U.S.-Russia Joint Memorandum of Understanding on Aircraft Market Access is available from the Office of Aerospace's web site.

If you have questions about this Agreement or how to use it, you can e-mail the Trade Compliance Center, which will forward your message to the Commerce Department's Designated Monitoring Officer for the Agreement. You can also contact the Designated Monitoring Officer at the following address:

Designated Monitoring Officer — Heather Pederson
U.S.-Russia Civil Aircraft Agreement
Office of Aerospace
Room 2128
U.S. Department of Commerce
14th Street & Constitution Avenue, N.W.
Washington, D.C. 20230
Tel: (202) 482-6234
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The Designated Monitoring Officer can also provide you with useful trade leads and contacts.

You can also visit the home page of the International Trade Administration's Office of Aerospace to obtain further information on the Agreement and on other export opportunities for U.S. aerospace companies. The Office of Aerospace helps American aerospace companies export their product lines by sponsoring trade promotion events, conducting industry analyses, monitoring trade agreements and assisting in the formulation of U.S. trade policy.